



**ARIZONA STATE SENATE**  
*Fifty-Second Legislature, First Regular Session*

**REVISED**  
FACT SHEET FOR S.B. 1378

universities; commercial paper

Purpose

Empowers the Arizona Board of Regents (ABOR) to issue commercial paper.

Background

*Commercial paper* is defined as an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates.

A.R.S. § 15-683 allows ABOR to issue bonds or certificates of participation (COPs) for any institution, if projected debt service on bonds and COPs then outstanding, as shown in the most recent capital improvement plan reported to ABOR, do not exceed eight percent of the institution's total projected expenditures and mandatory transfers. The project to be acquired with the proceeds of the bonds must also be reviewed by the Joint Committee on Capital Review (JCCR).

There is no fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Empowers ABOR to obtain lines of credit for cash management or liquidity purposes and to issue commercial paper to:
  - a) finance any capital project;
  - b) pay any expenses of one or more institutions; or
  - c) provide for payment of commercial paper or other obligations previously issued.
2. Allows the commercial paper to be issued as bonds, notes or other obligations, to be issued as a single instrument or as a succession of instruments.
3. Allows commercial paper to be issued pursuant to resolution of ABOR or pursuant to ABOR-authorized agreements.
4. Specifies that ABOR's repayment obligations on commercial paper may be payable:
  - a) by a pledge of fees, tuitions, rentals and other charges, rentals from any facility or building with exceptions, and interest and earnings on investments;

- b) for the payment of revenue bonds or other sources that may be pledged over multiple fiscal periods consistent with Article IX, section 5, Constitution of Arizona; and
  - c) from amounts budgeted and allocated by ABOR for that purpose for the current fiscal period.
5. Requires any ABOR commercial paper to provide that:
    - The obligation of ABOR to make payments or related to the commercial paper is a current expense of ABOR and is not a general obligation indebtedness of ABOR or this state.
    - If ABOR fails to budget and allocate monies for any future fiscal period, ABOR's obligation to make payments ceases at the end of the current fiscal period, and ABOR and this state are relieved of any subsequent payment obligations.
  6. Requires ABOR to establish by resolution or in the authorizing agreement a final maturity date or final renewal period and a maximum rate of interest.
  7. Allows the individual instruments to:
    - Bear interest at rates not exceeding the maximum rate established by ABOR.
    - Mature and be retired over periods ending not later than the final maturity date or renewal period established by ABOR.
    - Be retired with the proceeds of bonds or other obligations of ABOR.
  8. Allows commercial paper to be sold through an agent or dealer that is recognized in municipal finance in the form of instruments that mature at intervals and bear interest at rates determined to be the most advantageous to ABOR.
  9. Allows ABOR to:
    - Contract with a bank, insurance company or indemnity company to provide additional security for the commercial paper in the form of a letter of credit, line of credit, insurance policy or other security.
    - Pay the costs of additional security from amounts provided by the commercial paper or from other lawfully available sources.
    - Enter into reimbursement obligations in connection with the cost of that additional security.
  10. Prohibits the payment of interest in excess of the maximum interest rate established by ABOR for the commercial paper or a different maximum interest rate established by ABOR for the reimbursement obligation.
  11. States that the reimbursement obligation may be paid from the same source as the commercial paper or from other lawfully available monies of ABOR, but may not constitute a general obligation of ABOR or this state.
  12. States that JCCR is not required to review or approve the issuance of commercial paper.

13. Excludes commercial paper from the capital debt limit of eight percent of an institution's total projected expenditures and mandatory transfers.

14. Becomes effective on the general effective date.

Revision

- Expands allowed sources of repayment.

Prepared by Senate Research

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